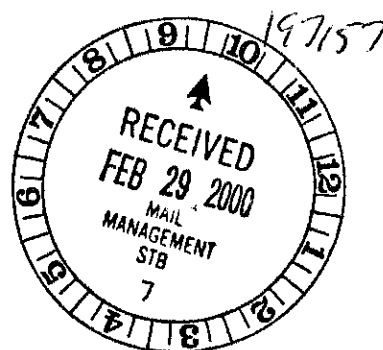


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February 28, 2000

By UPS overnight mail

Vernon A. Williams, Secretary
Surface Transportation Board
Case Control Unit, Suite 713
1925 K Street, N.W.
Washington, DC 20423-0001

Re: STB Ex Parte No. 582, *Public Views On Major Rail Consolidations*

Dear Mr. Williams:

Enclosed please find an original and 10 copies of Comments, for filing with the Board in the above referenced matter.

Also enclosed is a diskette of Comments in WordPerfect format.

Kindly acknowledge receipt by date stamping the enclosed duplicate copy of this letter and return in the self-addressed stamped envelope.

Very truly yours,

Thomas F. McFarland, Jr.
*Attorney for IOWA TRACTION
RAILROAD COMPANY*

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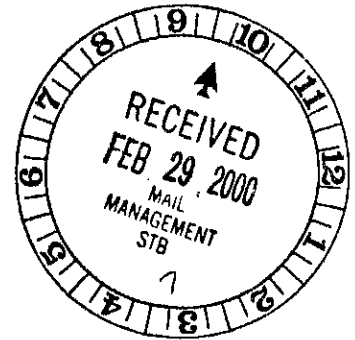
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ORIGINAL

BEFORE THE
SURFACE TRANSPORTATION BOARD

PUBLIC VIEWS ON MAJOR RAIL
CONSOLIDATIONS

) EX PARTE NO. 582
)

COMMENTS ^{2/}



IOWA TRACTION RAILROAD COMPANY
P.O. Box 309
Mason City, IA 50402-0309

Commentor

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Attorney for Commentor

DUE DATE: February 29, 2000

^{2/} IOWA TRACTION RAILROAD COMPANY IS UNABLE TO APPEAR AT
THE PUBLIC HEARING IN THIS MATTER.

BEFORE THE
SURFACE TRANSPORTATION BOARD

PUBLIC VIEWS ON MAJOR RAIL)
CONSOLIDATIONS)

COMMENTS

Pursuant to the decision of the Board served January 24, 2000, IOWA TRACTION RAILROAD COMPANY (IATR) hereby submits comments on the subject of major rail consolidations.

IDENTITY AND INTEREST OF COMMENTOR

IATR is a Class 3 rail carrier, i.e., a short line. It operates approximately 10 miles of rail line in Mason City, Iowa, and the surrounding area. It has connections with Union Pacific Railroad Company (UP) and I&M Rail Link (IMRL).

As a result of providing high quality rail service and the availability of competitive rail connections, IATR has markedly increased the volume of rail traffic handled since its inception as a carrier in 1987. However, IATR is seriously concerned that its traffic may well erode substantially as a result of continuing major rail consolidations which reduce competition.

COMMENTS

IATR believes that it is typical of short line railroads who have thrived when having competitive rail connections, but whose ability to survive would be jeopardized if they were to become captive to a single connection. The loss of a rail connection does not always occur as a direct result of a major rail consolidation. As shown by IATR's experience related below, the loss of a competitive rail connection can occur as a result of a major rail carrier's strategic response to

a consolidation proposed by other major rail carriers. Consequently, it is IATR's firm opinion that in determining whether or not such a consolidation is in the public interest, the Board should give consideration to whether or not the likely strategic response of other major rail carriers (downstream effect) would have a material adverse effect on rail competition. In IATR's view, any such adverse effect should strongly militate against approval of the proposed consolidation. The national rail policy supports that view. 49 U.S.C. §§ 10101(1), (4), (12).

IMRL came into being several years ago as a result of acquiring extensive rail lines in the upper Midwest from the Canadian Pacific-Soo Line System (CP-Soo). At that time, IMRL stated to shippers in the Mason City, Iowa area and to IATR (and presumably to other shippers and short lines throughout the area that it serves) that IMRL would compete aggressively with UP in all available markets. IATR and shippers in the Mason City area have benefitted from that competition. IATR has been able to work with IMRL to compete successfully with UP for rail traffic to and from the Mason City area.

Recently, it was announced publicly that the Canadian National Rail System (CN) and Burlington Northern and Santa Fe Railway Company (BNSF) propose to consolidate (i.e., to become commonly controlled). It has been widely reported that as part of its strategic response to that proposal, UP is about to acquire a significant percentage of the stock of IMRL. That would effectively eliminate IMRL's drive to compete aggressively with UP.^{1/} The practical effect would be a very detrimental loss of a competitive connection for IATR, and loss of competitive rail service for Mason City area shippers. In IATR's view, that would be very much inconsistent

^{1/} On a broader scale, the proposed CN-BNSF consolidation might well result in reduction of competition between UP and CP-Soo, inasmuch as those carriers may consolidate as a strategic response.

with the public interest.

There has been widespread concern that the proposed CN-BNSF consolidation would trigger other consolidations that would result in only two transcontinental rail systems in North America, with a resulting massive reduction of rail competition. IATR shares that concern. As appears above, however, on a more immediate basis, the proposed CN-BNSF consolidation would also be likely to have adverse downstream effects on rail competition west of the Mississippi River in the form of reduced or eliminated competition between UP and IMRL. That would seriously harm IATR and shippers in the Mason City, Iowa area, as well as other short lines and shippers that benefit from competition between UP and IMRL. The Board's standards for determining whether proposed rail consolidations are in the public interest should take into account downstream effects that reduce rail competition in that manner.

Respectfully submitted,

IOWA TRACTION RAILROAD COMPANY
P.O. Box 309
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Commentor

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DUE DATE: February 29, 2000